

**SEMINOLE COUNTY GOVERNMENT
AGENDA MEMORANDUM**

SUBJECT: Administrative Code Amendment Section 3.35 Investments and Presentation of Investment Policy and Portfolio Review Report by First Southwest

DEPARTMENT: Fiscal Services

DIVISION: Administration - Fiscal Services

AUTHORIZED BY: Lisa Spriggs

CONTACT: Angela Singleton

EXT: 7168

MOTION/RECOMMENDATION:

Approve a Resolution Amending the County's Administrative Code Section 3.35, Investments, to update and clarify the County's Investment Policy.

County-wide

Lisa Spriggs

BACKGROUND:

At the December 11, 2007, BCC meeting County staff was directed to evaluate our investment policies and provide an assessment and recommendations for the Board's consideration. Staff determined that an outside firm providing this overview was the most appropriate method in proceeding forward and contacted First Southwest Asset Management to conduct a review and analysis of the fixed income portfolio for Seminole County as of March 31, 2008 inclusive of the following:

1. Review the written policy for compliance with Florida investment law.
2. Review all individual securities held in the Portfolio for compliance with written investment policy.
3. Verify security pricing.
4. Perform market analysis under various rate scenarios.
5. Determine appropriate benchmark comparisons.
6. Provide graphic portfolio breakdown summaries.
7. Recap market and interest rate conditions over the prior quarter and assess the current rate environment.
8. Recommend potential changes to investment policy, market strategy and Portfolio composition.
9. Present the formal written review at a time and date as specified by the County.

The Consultant will be present at the meeting to provide a formal presentation of the “Investment Policy and Portfolio Review” report (attached) and will address any questions the Board may have. The County’s Administrative Code Section 3.35, Investments has been revised to reflect the Consultants recommendations as well as modifications to provide for clarification as deemed appropriate.

STAFF RECOMMENDATION:

Approve a Resolution Amending the County's Administrative Code Section 3.35, Investments, to update and clarify the County's Investment Policy.

ATTACHMENTS:

1. Resolution
2. Investment Policy
3. Final Consultant Report

Additionally Reviewed By:

☐ County Attorney Review (Arnold Schneider)

THE FOLLOWING RESOLUTION WAS ADOPTED BY THE
BOARD OF COUNTY COMMISSIONERS OF SEMINOLE
COUNTY, FLORIDA, AT THEIR REGULARLY SCHEDULED
MEETING ON THE ____ DAY OF _____, 2008.

WHEREAS, Seminole County Ordinance No. 89-28 created the
Seminole County Administrative Code; and

WHEREAS, Seminole County Resolution Numbers 89-R-438 and 05-
R-151 adopted the Seminole County Administrative Code; and

WHEREAS, the Seminole County Administrative Code needs to be
amended from time to time to reflect changes in the administration
of County government; and

WHEREAS, the Board of County Commissioners desires to amend
sections of the Seminole County Administrative Code to update and
clarify the County's Investment Policy,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY
COMMISSIONERS OF SEMINOLE COUNTY, FLORIDA THAT,

The Seminole County Administrative Code is hereby amended by
the revisions to Section 3.35, "Investments", as more
particularly described in the attachment hereto.

ADOPTED this _____ day of _____, 2008.

ATTEST:

BOARD OF COUNTY COMMISSIONERS
SEMINOLE COUNTY, FLORIDA

MARYANNE MORSE
Clerk to the Board of
County Commissioners of
Seminole County, Florida.

By: _____
BRENDA CAREY, Chairman

Date: _____

Attachment:
Section 3.35 - "Investments"



SECTION 3. COUNTY ADMINISTRATION

3.35 INVESTMENTS

A. PURPOSE/SCOPE.

(1) This investment policy applies to all financial assets held by or for the benefit of the ~~Seminole County Board of County Commissioners (the "Board") of Seminole County (the "County")~~ by the Seminole County Clerk of the Circuit Court (Clerk) acting in ~~her~~ the capacity as Clerk and the Chief Financial Officer ~~of to the Board County (collectively, the County)~~. This policy does not include the Financial assets held individually or under the control of any of the Constitutional Officers of Seminole County until such time that control of such funds pass to the County.

(2) Investments of the County are subject to Chapter 218, Part IV, Florida Statutes, Chapter 125.34. This policy is established pursuant to supplement the existing statutory authority and must shall conform to the provisions of Florida Statutes Chapter 125.34 Section 218.415, Florida Statutes, as it may be amended, Resolution 95-R-237, and by Resolution 08-R-. The proceeds of certain bond issues may be further limited or expanded by their respective bond resolutions or covenants and shall not be considered to be in conflict with this investment policy.

B. INVESTMENT OBJECTIVES. The ~~county~~ County shall strive to achieve with each investment opportunity, the objectives, in order of priority:

(1) Safety – The primary objective of the County's investment activities is the protection and preservation of the investment capital.

(2) Liquidity – The County's investment strategy will provide sufficient liquidity to meet cash flow requirements by utilizing marketable securities with structured maturities.

(3) Investment Income – The County will strive to invest the public funds to maximize the return on the portfolio but will minimize investment risk.

C. INVESTMENT PERFORMANCE AND REPORTING.

(1) ~~The portfolio shall seek to achieve a performance level equivalent to or greater than the 90-day Treasury Bill rate or the monthly rate of the State Board of Administration (SBA), Local Government Surplus Trust Fund. The portfolio's weighted-average yield will be compared to established benchmarks each quarter with both a data table and corresponding graph presented to the Board. The benchmarks that shall be used are the average yield on the 6-month and 12-month Constant Maturity Treasury (CMT) indices during the prior quarter's reporting period. The benchmark is intended to serve as an indication of general market yield and will establish a clear frame of reference and understanding for the County's investment performance. It is not~~

intended as a hurdle that the County must meet, as this practice may encourage undue risk during periods of rapidly rising interest rates.

(2) A portfolio report from the Clerk shall be provided each month to ~~the Clerk of the Circuit Court, the Board of County Commissioners,~~ appropriate County management staff, and any other interested parties. The report shall include, but not be limited to, the following:

- Name of the Security
- Cost of the Security
- Market Value
- Date of Purchase
- Date of Maturity
- Coupon Rate
- Yield to Maturity
- Accrued Interest
- Portfolio Diversification Ratios

(3) Mortgage pass-through investments will be categorized by stated maturity, estimated maturity, or average life.

(4) ~~The Clerk of the Circuit Court Board~~ shall be notified immediately upon any deviation from the currently approved investment policies.

D. PRUDENCE AND ETHICAL STANDARDS.

(1) The standard of prudence to be used by investment officials shall be the "prudent person rule" and shall be applied in the context of managing an overall portfolio. Investment officers, or persons performing the investment functions acting in accordance with written policies and procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

(2) The "prudent person" standard is herein understood to mean the following: Investment shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

E. AUTHORIZED INVESTMENTS. ~~The Clerk or other designees of the Clerk's office shall purchase or sell investment securities at prevailing market rates except for investments such as Guaranteed Investment Contracts (GICs) or Repurchase Agreements (Repos) involving bond proceeds for which the Board's authorization and approval shall be separately provided for in the bond sale and authorization documents.~~

~~Authorized instruments are as follows:~~ Authorized Investments shall consist of the following:

(1) The Local Government Surplus Funds Trust Fund, The State Investment Pool administrated by the State Board of Administration (SBA).

(2) Money Market Funds – Securities and Exchange Commission (SEC) registered, AAA-rated money market funds offered by prospectus with permitted investments limited to government securities and repurchase agreements backed by government securities.

~~(2)(3)~~ U. S. Treasuries – direct obligations of, or obligations the principal and interest is unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to, Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strip Coupons (Zeros).

~~(3)(4)~~ Federal Agencies – bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the United States Government agencies. Such agencies will include the Farmers Home Administration, Federal Housing Administration, Federal Financing Bank, Governmental National Mortgage Association Cooperation ~~(GNMA)~~ (Ginnie Mae), Tennessee Valley Authority (TVA), Student Loan Marketing Association ~~(Sallie Mae)~~, and the Department of Veteran Affairs (VA).

~~(4)(5)~~ Federal Instrumentalities – bonds, debentures, ~~notes or and~~ other evidence of indebtedness issued or guaranteed by ~~United States Government agencies~~ the issuing entity itself. ~~and it's instrumentalities which are not backed by the full faith and credit of the United States Government. Agencies and instrumentalities will~~ Issuers shall include, but are not be limited to, the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal ~~National National~~ Mortgage Association (FNMA) (Fannie Mae), and the Federal Home Loan Mortgage Cooperation (Freddie Macs).

~~(5)(6)~~ Time deposits, savings accounts, and non-negotiable Certificates of Deposit issued by qualified banks or savings banks ~~and loan associations~~ under the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, and doing business and situated in the State.

~~(6)(7)~~ Guaranteed Investment Contracts (GICs) and Repurchase agreements Agreements (Repos) – Repurchase agreements (sale and subsequent repurchase) are utilized as a cash management tool within the confines of the County's banking agreement mainly but may be authorized for any of the investments authorized in items (2) and (3). Any investment in a GIC or Repo shall be done with providers that are Primary Dealers with a credit rating of A or better from S&P or Moody's, or other financial institutions rated "AA" by S&P or "Aa" by Moody's. Repurchase agreements shall include both overnight and term repurchase agreements to be priced daily, as well as flexible repurchase agreements ("flex repos") which are authorized solely for the



investment of bond proceeds. The maturities of the Guaranteed Investment Contracts and Flex Repos shall correspond to the County's cash flow forecasts on the specific bond issue. Required collateral shall be maintained at a minimum of 102% of the outstanding balance of the contract or agreement along with accrued interest and shall be limited to securities authorized within this policy. Collateral shall be held with a third-party safekeeping agent and registered in the name of the County.

All GIC and Flex Repo Investments must be competitively bid and fully documented to the extent required by Federal regulations. The investment of bond proceeds into a GIC or Flex Repo must be approved by the Board prior to initiating the bid process.

(8) Mortgage-backed securities (MBS) issued by Fannie Mae, Freddie Mac and Ginnie Mae; limited to pass-through pools and balloons. Private label pools, whole loans and Collateralized Mortgage Obligations (CMOs) are not permitted.

(7)(9) Any non-permitted investment currently held in the County's portfolio at the adoption of this policy may continue to be held to maturity or timely, subsequent sale.

F. MATURITY AND LIQUIDITY REQUIREMENTS. The investment portfolio shall be structured in such a manner to match investment maturities with cash needs as they come due. Liquidity and maturity consideration are as follows:

(1) Current operating funds will be matched with anticipated cash flow needs and will be kept in relatively short-term investments. These short-term investments will include the County's depository bank, money market funds, the State Board of Administration (SBA) pool, Repurchase Agreement repurchase agreements, federal agencies and instrumentalities and liquid, U. S. Treasuries with maturities of one (1) year or less.

Construction funds, debt service funds, bond reserves and other non-operating funds Bond proceeds and other restricted capital funds will be invested to match the projected, approximate cash flow needs in accordance with bond covenants, construction contracts and other planned capital plans. Maximum maturities may be exceeded when deemed beneficial with Board authorization.

The County's total portfolio may contain investments with stated maturities of thirty (30) years or less but the average or estimated life of the portfolio shall not exceed five (5) years (60 months).

Revenue flows and anticipated cash inflows will also be analyzed and anticipated cash in-flows will be considered in the investment decision.



(2) Maximum Maturity on Securities.

<u>Security</u>	<u>Maturity Limit</u>
State Board of Administration (SBA)	N/A
Money Market Funds	N/A
U.S. Treasuries	5 years
Federal Agencies and Federal Instrumentalities	5 years
Repurchase Agreements	30 days
Certificates of Deposit	1 year
Term Repurchase Agreements	30 days
Treasuries, Agencies, and Instrumentalities	5 years
Mortgage Backed Securities	30 years

To allow for the efficient and effective placement of bond sale proceeds, the limit on repurchase agreements may be exceeded for five (5) business days following the receipt of the bond proceeds.

(3) Portfolio Activity and Maturity Management. The investment philosophy of the County is to "buy and hold" but the maturity composition of the portfolio and the general economic conditions will be evaluated to determine if a replacement investment would be advantageous. Accounting losses may be incurred in this situation if an economic gain is achieved. The portfolio maturity may be shortened or extended dependent on interest rate projections or the portfolio quality may be improved by reducing the maturity or risk of a security.

H.G. PORTFOLIO COMPOSITION.

(1) Prudent investing necessitates that the portfolio be diversified as to instruments and dealers. The following maximum limits are guidelines established for diversification by investment type. These guidelines may be revised by the Clerk of the Circuit Court in specific circumstances (i.e.: market conditions):

<u>Security Type</u>	<u>Portfolio Limitations</u>
State Board of Administration	400 50 percent
Money Market Funds	100 percent
U.S. Treasuries	100 percent
U.S. Treasury Strip Coupons (Zeros)	5 percent
Federal Agencies and Federal Instrumentalities	80 percent
Certificates of Deposit	20 percent
Term Repurchase Agreements	5 10 percent
Certificate of Deposit	30 percent
Treasuries, Agencies, Instrumentalities	100 percent
Mortgage Backed Securities	30 percent
Zero Coupon (Strips)	5 percent



(2) Leveraged investments or agreements prohibited.

(3) Bond proceeds shall be invested in accordance with the covenants in the governing resolution, indenture and related issuance documents. All GICs and Flex Repos comprised of bond proceeds shall be excluded from the portfolio composition limits in subsection (1), above, when calculating percentages to test portfolio issues.

I.H. RISK AND DIVERSIFICATION. Assets held shall be diversified to control the risk of loss resulting from the over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank. Diversification strategies within established guidelines shall be reviewed and revised periodically by the appropriate management staff.

J.I. CONTINUING EDUCATION. The Clerk, and any investment officers designated by the Clerk to perform the investment functions in accordance with these written policies and procedures, are required to annually complete eight (8) hours of continuing education in subject courses of study related to investment practices and products.

K.J. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS.

(1) It is the policy of the County to purchase securities only from those broker/dealers or ~~banks~~ financial institutions included on the County's Clerk's approved list ~~as approved by the Clerk of the Circuit Court. The list will be developed in accordance with the these investment policies.~~

(2) A listing of the Qualified Public Depositories is available on a quarterly basis from the *Florida Administrative Weekly*. ~~All banks and savings and loan associations~~ financial institutions will be included on the approved list if they have been designated a Qualified Public Depository as determined by the State of Florida and State Statutes.

(3) In addition, the list ~~will~~ may include ~~brokers~~ primary government security dealers and regional brokers and dealers ~~selected by credit worthiness. These may include primary dealers of regional dealers~~ that qualify under the Securities & Exchange Commission Rule 15C3-1 (Uniform net capital rule) and are registered to do business in the state of Florida.

(4) All approved broker/dealers will acknowledge in writing that they have received a copy, read, and concur with the County's investment policy.

(5) The approved list shall be presented to the Board on an annual basis for information and disclosure purposes.

L.K. THIRD PARTY CUSTODIAL AGREEMENTS. The Clerk ~~of the Circuit Court~~ will execute a third-party custodial and safekeeping agreement with the ~~trust department of~~



the County's depository bank. All securities purchased and/or collateral obtained by the County shall be properly designated as an asset of the County and held in safekeeping by the trust department and no No withdrawal of such securities, in whole or part, shall be made from safekeeping except as authorized by a County staff member the Clerk. The third-party custodial safekeeping agreement shall include letters of authority from the Clerk of the Circuit Court, ; details as to responsibilities of each party, ; notification of security purchases, sales delivery, repurchase agreements, wire transfers, safekeeping and transaction costs, ; and procedures in case of wire failure or other unforeseen mishaps, including the liability of each party.

M.L. MASTER REPURCHASE AGREEMENT. The Office of the Clerk of the Circuit Court will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement.

N.M. BID REQUIREMENT.

(1) ~~Although in most situations the competitive bid process shall be utilized, there is no obligation to secure competitive bids from all financial institutions and dealer/brokers on the approved list. Rather, a decision will be made by the Clerk through the Finance Director and County Finance Department Staff as to the institutions that have been competitive over the preceding weeks and these will be contacted for a bid.~~

(2) ~~After the The Clerk, through County Finance Department personnel, has shall determined the approximate maturity date(s) based on cash flow needs, and market conditions and portfolio analysis has analyzed and has selected one or more optimal types of investments, a A minimum of three (3) qualified banks and/or dealers will be contacted and asked to provide bids, on the securities in question.~~

(a)(1) Bids will be held in confidence until the best bid is determined and awarded.

(b)(2) Documentation will be retained for all bids, with winning bid clearly identified.

(c) ~~If the maturing investment is a certificate of deposit, the present holder of the funds will be one of the contacts made, subject to the portfolio diversification requirements in this policy.~~

(3) If the maturing investment is a certificate of deposit, and the depository institution has performed to the satisfaction of the County, that depository institution shall be asked to submit a competitive bid, and that bid shall be equal to or greater than competing bids in order to retain funds.

(d)(4) If the highest bid is not selected, the reasons for that decision will be clearly recorded documented on the bid forms.



~~(e)(5) This policy need not apply in relation to swap proposals offered by specific broker/dealers or financial institutions as such "shopping" of swap proposals can have an adverse effect on broken motivation to seek swaps. In the event that a broker/dealer or financial institution initiates and proposes a security swap that provides a financial advantage to the County, the Clerk may bypass obtaining bids from competing dealers provided that the Clerk can verify fair market value was obtained.~~

~~(f)(6) In certain circumstances, when the Clerk believes an investment security with exceptional value in the market will not be available for the time it would take to receive additional bids, it may be purchased without obtaining the required three bids, provided that fair market value can be established. Fair market value may be established by showing a similar security that is being offered in the market at the same time. when a dealer or bank informs the County of a potential purchase or sale that must be completed within minutes of notification, the competitive bidding policy may be waived. The Clerk or the finance Director will have final approval on these particular transactions before they are completed.~~

O.N. INTERNAL CONTROLS. ~~The Clerk of the Circuit Court shall exercise and monitor a set of internal controls to be conducted through the County Finance Director. Said controls are designed to protect the County's fund and ensure the proper accounting and reporting of investment transactions. Such controls shall consist for the following: The responsibility for establishment, exercise and monitoring of proper internal controls to carry out the investment function is that of the Clerk. The controls should be designed to protect the County's funds and ensure proper accounting and reporting of investment transactions. Written procedures shall be maintained and shall consist of the following:~~

(1) All securities purchased or sold will be transferred only under the "delivery versus payment" (DVP) method to ensure that the funds or securities are not released until all criteria related to the specific transaction have been met.

(2) The Clerk is authorized to accept on behalf of the County, trust receipts or confirmations as evidence of the actual delivery of the obligation or security in return for the payment of the investment.

(3) Trust receipts or confirmations shall fully describe the various securities held. The receipt or confirmation shall state that the investment is held in the County's name.

(4) Telephone or wire transfer transaction will be confirmed by subsequent written documentation.

(5) There will be adequate separation of duties with a clear delegation of authority among investment personnel.

(6) Custodial safekeeping will be properly utilized.

(7) Operational reviews, and performance evaluations and interim and annual reporting shall be completed by the County Finance Department Clerk, and shall be audited by the County's independent Auditors.

(8) ~~"Bearer Bonds"~~ will be avoided.

(9)(8) County Finance The Clerk will not take physical possession of any security or investment.

(10)(9) There shall be specific limitations regarding securities losses and remedial action shall be taken as soon as possible.

(11)(10) A wire transfer agreement with the County's custodial bank outlining the various controls and security provisions for making and receiving wire transfers will be established, a part of the County Finance Department's Procedures Manual.

(12)(11) Collusion is Prohibited.

(13)(12) Written dealer confirmation and monthly and/or quarterly custodial account statements will be maintained.

(14)(13) All daily investment activity will be coordinated and reviewed by the Revenue Supervisor or the Assistant Finance Director and the Finance Director. Investments are under the direct control of the Finance Director and the Clerk, of the Circuit Court. In the absence of the finance Finance Director and the Clerk of the Circuit Court, investment activity must be approved by the Revenue Supervisor and the Assistant Finance Director and later approved by the Finance Director or the Clerk of the Circuit Court.

(15)(14) The following positions are designated by the Clerk of the Circuit Court as having the authority to initiate all investment activities:

- (a) Clerk of the Circuit Court
- (b) Finance Director
- (c) Assistant Finance Director
- (d) Revenue Supervisor
- (e) All other designees at the discretion of the Clerk of the Circuit Court

(16)(15) Periodic training and educational opportunities in investment and related subjects will be provided and made available to appropriate investment personnel.



~~(17)(16)~~ Additional internal controls may be established by the Clerk of the
Circuit Court.

P.O. AUTHORITY.

Resolution 95-R-237 adopted September 26, 1995
BCC approved policy amendment April 9, 2002



Investment Policy and Portfolio Review

May 15, 2008

FINAL VERSION

 **First Southwest Asset Management, Inc.**
An Affiliate of First Southwest Company

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EXHIBITS

- A. Florida Statute 218.415
- B. Money Market Fund Detail
- C. Standard & Poor's Fund Profile on the Florida SBA Pool
- D. Investment Listing

SEMINOLE COUNTY FLORIDA

Investment Policy and Portfolio Review

Report Date: **May 15, 2008**

The following review was based on information provided to First Southwest Asset Management, Inc. (FSAM) by the Seminole County Florida as well as "Yield Book" reports generated by SunTrust Robinson Humphrey, SunTrust safekeeping statements and Prima Portfolio Review and Investment Management Analytics.

I THE CURRENT RATE ENVIRONMENT

As 2008 began, many experts still believed the U.S. economy would narrowly avoid a recession. Indeed, fourth quarter growth turned out to be slightly positive at up 0.6%, but first quarter economic data showed significant deterioration. Although the determination of whether or not an official recession has occurred is surprisingly subjective and not usually determined until long after a recovery has begun, the economy's clearly in bad shape. Harvard Economist, Martin Feldstein, a member of the committee that officially determines whether a recession has occurred, said in late March that the current recession could be the most severe since WW2. A joint economic report by global consulting firm Oliver Wyman and Morgan Stanley supposed that "the (financial) industry is facing the most severe investment banking crisis in 30-years". Not to be outdone, retired Chairman Greenspan described the market turmoil as the "most wrenching" in more than 60 years.

Fortunately, the Fed knows it has a problem, and the financial markets know the Fed knows it has a problem. Frederic Mishkin, a Fed governor and a close ally of Bernanke, recently told the National Association for Business Economics that the risks are so great that the economy may not be able to meet even the Fed's modest forecast, which essentially calls for little or no growth in the first half of the year. Bernanke has assured investors that the Fed was "ready to respond to whatever situation evolves" ...and so far, it has. The Greenspan Fed never cut the funds rate by more than 50 bps at a single meeting, but the Bernanke Fed did it twice in less than two months. They've sliced the overnight rate by 200 basis points during the first quarter, bringing the real fed funds rate below zero, cut the discount rate to within a quarter point of the funds target, opened the window to primary dealers and offered several innovative solutions to facilitate liquidity in the markets. Congress and the Administration have pitched in to the cause with promised rebate checks. And of course, income tax refund checks are already appearing in mailboxes. The stimulus is huge, but it hasn't had a chance to work it's way through the system. Right now, the market is still trembling from the Bear Stearns collapse and wondering when and where the next bomb will drop.

At the end of April (as expected) the Fed cut the overnight funds rates by another 25 bps to 2.00%, but will not meet again for two more months on June 25th. By that time, stimulus dollars to consumers will probably have sparked some noticeable GDP growth. A majority of economists are now predicting that the Fed has concluded its easing campaign, but several notable bears including Merrill's Chief Economist David Rosenberg are forecasting that the Fed could *resume* easing in late 2008 or early 2009. Regardless of where the bottom turns out to be, the Fed is unlikely to begin *raising* rates in the foreseeable future.

II INVESTMENT POLICY COMPLIANCE WITH FLORIDA LAW

Current investment policy was compared to Florida State Statutes Chapter 218.415 (attached as Exhibit A) in order to determine compliance with required provisions of the statutes.

Following review, it was determined that the County's investment policy, as written, <i>adheres to all basic requirements as set forth in Florida Investment Law.</i>

III INVESTMENT POLICY RECOMMENDATIONS

There are a number of instances throughout the policy where institutions, laws or language is outdated or less appropriate. In those cases in which changes are required, appropriate substitute language is recommended. In other cases, language may be suggested that strengthens or clarifies policy.

Section: 3.35 Investments

[Point #1:](#) A. Purpose / Scope (2)

Page 1.

The Florida statute that governs local government investment has changed. Policy currently reflects the older statute.

Recommendation: Change all Florida statute reference from Chapter 125.31 to Chapter 218.415.

Rationale: Update reference to governing law.

[Point #2:](#) C. Investment Performance and Reporting (1)

Page 1.

Performance measurement standards may not be appropriate to established risk parameters. The current policy states that the County shall try to achieve a performance level equal to or greater than the 90-day (91-day) Treasury bill rate or the monthly rate of the SBA. The 91-day T-bill rate is too short to be an effective benchmark and the SBA, at least for the time-being, may be too tainted to use as a measuring stick.

Recommendation: Clarify language and change the performance benchmark as follows –

The portfolio's weighted-average yield will be compared to established benchmarks each quarter with both a data table and corresponding graph presented to the Board. The benchmarks that shall be used are the average yield on the 6-month and 12-month Constant Maturity Treasury (CMT) indices during the prior quarter's reporting period. The benchmark is intended to serve as an indication of general market yield and will establish a clear frame of reference and understanding for the County's investment performance. It is not intended as a hurdle that the County must meet, as this practice may encourage undue risk during periods of rapidly rising interest rates.

Rationale: To establish a more appropriate benchmark

[Point #3:](#) E. (3) Federal Agencies

Page 2.

The Student Loan Marketing Association (Sallie Mae) is a private company and no longer issues debt.

Recommendation: Delete Sallie Mae from Section (3)

[Point #4:](#) E. (4) Federal Instrumentalities

Page 3.

The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), as described in this section, are not Agencies of the United States, but rather Government Sponsored Enterprises (GSE's) which act as public companies. In several instances, issuer names are incorrect.

Recommendation: Rewrite to clarify as follows -

Federal Instrumentalities (commonly referred to as "Agencies") – bonds, debentures, and other evidence of indebtedness issued or guaranteed by the agency itself. Issuers shall include, but are not limited to the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae).

[Point #5:](#) E. (Add) Mortgage-back securities

Page 3.

Mortgage-backs are complex and volatile instruments. As such, they should be clearly authorized and defined by policy.

Recommendation: Add mortgage-backs as a specifically authorized investment type Mortgage-backed securities (MBS) issued by Fannie Mae, Freddie Mac and Ginnie Mae; limited to pass-through pools and balloons. Private label pools, whole loans and Collateralized Mortgage Obligations (CMOs) are not permitted.

Rationale: To control risk and limit exposure to a more volatile investment product.

[Point #6:](#) E. (5) Time Deposits

Page 3.

Savings & Loans are now referred to as *Banks* or *Savings Banks*.

Recommendation: Delete reference to *Savings & Loans*.

[Point #7:](#) E. (6) Repurchase Agreements

Page 3.

Recommendation:

Consider rewriting this section to allow for broader use of repurchase agreements as an option for the investment of bond proceeds.

Guaranteed Investment Contracts (GICs) and Repurchase Agreements (Repos). Any investment in a GIC or Repo shall be done with providers that are Primary Dealers with a credit rating of A or better from S&P or Moody's, or other financial institutions rated "AA" by S&P or "Aa" by Moody's. Repurchase agreements shall include both overnight and term repurchase agreements to be priced daily, as well as flexible repurchase agreements ("flex repos") which are authorized solely for the investment of bond proceeds. The maturities of Guaranteed Investment Contracts and Repurchase Agreements shall correspond to the County's cash flow forecasts on the specific bond issue. Required collateral shall be maintained at a minimum of 102% of the outstanding balance of the contract or agreement along with accrued interest and shall be limited to securities authorized within this policy. Collateral shall be held with a third-party safekeeping agent and registered in the name of the County.

All GIC or Flex Repo investments must be competitively bid and fully documented. The investment of bond proceeds into a GIC or Flex Repo must be approved by the Board prior to initiating the bid process, although the Board will *not* be required to approve the specific bid.

Rationale:

Repos and GICs are safe and conservative vehicles for the investment of bond proceeds.

[Point #8:](#) E. (Add) AAA-rated Money Market Funds

Page 3.

Recommendation: Add money market funds as an alternate liquidity vehicle to the SBA pool. SEC-registered, AAA-rated money market funds offered by prospectus with permitted investments limited to government securities and repurchase agreements backed by government securities.

Rationale: Money market funds are a safe and prudent cash management tool which the County is already utilizing.

[Point #9:](#) F. (1) Maturity and Liquidity Requirements

Page 3.

Recommendation: Amend to clarify.

(1) Current operating funds will be matched with anticipated cash flow needs and will be kept in relatively short-term investments. These short-term investments will include the County's depository bank, money market funds, the State Board of Administration (SBA) pool, repurchase

agreements, federal agencies and instrumentalities and U.S. Treasuries with maturities limited to one year.

[Point #10:](#) F. (2) Maximum Maturities

Page 4.

Recommendation: Amend to clarify.

<u>Security</u>	<u>Maturity Limit</u>
Term Repurchase Agreements	30 days
GICs and Flex Repos	Anticipated expenditure of proceeds

[Point #11:](#) H. (1) Portfolio Composition

Page 4.

Recommendation: Adjust percentages to better reflect risk tolerance

<u>Security Type</u>	<u>Portfolio Limit</u>
Treasuries	100 percent
Money Market Funds	100 percent
Agencies and Instrumentalities	80 percent
SBA	50 percent
CDs	20 percent
Term Repurchase Agreements	10 percent
GICs and Flex Repos *	100 percent of proceeds of a single bond issue.

* All GIC and Flex Repo balances shall be excluded from portfolio asset totals when calculating percentages to test portfolio limits.

Rationale:

Reduced SBA from 100% max following recent issues

Specified "Term" repo with understanding that flex repo percentage would be bond issue dependent.

Reduced CD percentage due to illiquidity.

[Point #12:](#) K. (3) Authorized Investment Institutions and Dealers

Page 5.

Recommendation: Amend to clarify.

In addition, the list may include primary government security dealers and regional brokers and dealers that qualify under SEC rule 15c3-1 (Uniform net capital rule) and are registered to do business in the state of Florida.

Recommendation: Add (5) for full disclosure – see below for language:

(5) The County's approved list shall be presented to the Board on an annual basis for information and disclosure purposes.

[Point #13:](#) L. Third-party Custodial Agreements

Page 5.

Recommendation: Delete reference to Trust departments. The safekeeping function is independent from the Trust department.

[Point #14:](#) N. (2) Bid Requirement

Page 5.

Recommendation: Rewrite language as follows to better clarify intent.

(c) If the maturing investment is a CD, and the depository institution has performed to the satisfaction of the County, that depository institution shall be asked to submit a competitive bid, and that bid shall be equal to or greater than competing bids in order to retain funds.

(e) In the event that a broker/dealer initiates and proposes a security swap that provides a financial advantage to the County, the County may bypass the process of obtaining bids from competing dealers provided that it can verify that it has received fair market value on the trade.

(f) In certain circumstances, when the County believes an investment security with exceptional value in the market will not be available for the time it would take to receive additional bids, it may, with approval from the Finance Director or Clerk, be purchased without obtaining the required three bids, provided that fair market value can be established. Fair market value may be established through a similar security that is being offered in the market at the same time.

[Point #15:](#) O. (8) Internal Controls

Page 7.

Recommendation: Delete reference to “avoidance of bearer bonds”

Rationale: Bearer bonds have not been issued since 1982.

IV INVESTMENT PORTFOLIO COMPLIANCE

All securities in the portfolio conform to the stated policy authorization, guidelines and limitations.

Compliance Points as outlined in the Policy

Objectives

- ✓ Safety - There are no corporate securities in this portfolio, only governments. All marketable securities are backed by the U.S. Treasury, or guaranteed by AAA-rated issuers. All three money market funds are AAA-rated.
- ✓ Liquidity - There is adequate liquidity in the portfolio with more than \$400 million in fully liquid money market funds and securities scheduled to mature *or be called away* in the next 90 days.
- ✓ Income / Relative Performance – With all of the floating rate paper and amortizing mortgage-back securities, earnings are quite variable from month to month; however, with an overnight market rate of 2.25% as of March 31st, the adjusted earnings yield of 2.78% is exceptional.

Maturities

- ✓ Average life of Portfolio not to exceed five years – In a base case scenario, *excluding money market funds*, the estimated average life, according to the Prima model is 4.13 years. As interest rates continue to fall, more refinancing opportunities will shorten average lives on pass-through securities as home-owners refinance their mortgages. If money market funds, holdings in the SBA, and bank deposits are factored in, the average life falls to 1.96 years.
- ✓ Repurchase Agreements not to exceed 30 days – The sole repurchase agreement is a cash management sweep vehicle which acts strictly as an overnight investment.
- ✓ CDs not to exceed one year – The two CDs in the portfolio, representing a total of approximately \$21.6 million are both with Colonial Bank and mature in October 2008.
- ✓ Treasuries not to exceed five years – more than 98% of the Treasury allocation is to Treasury-bills maturing on May 29, 2008. The remainder is in a longer T-

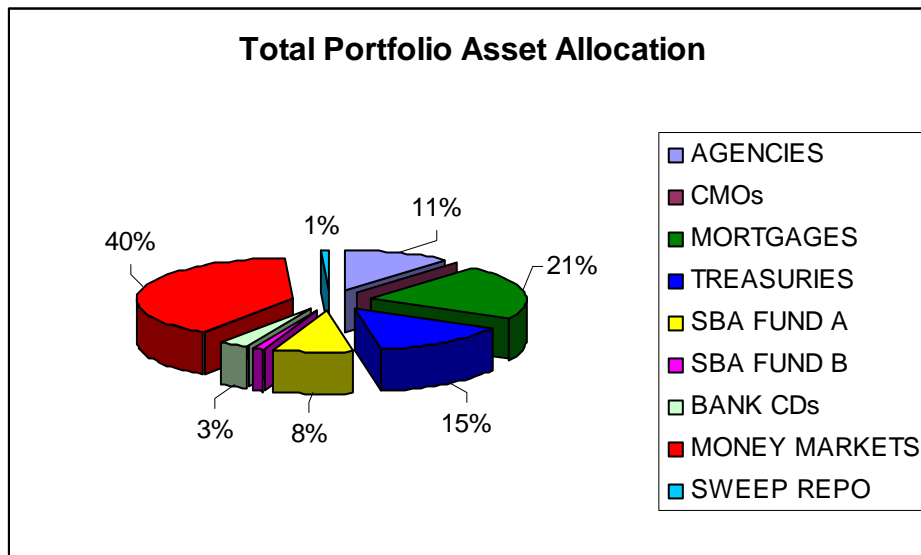
note position maturing in 2023. This security was purchased 15 years ago and is current trading at a substantial gain. Although policy guidelines no longer allow the purchase of longer Treasury securities, this \$3 million par bond may be safely held or sold at a substantial gain of more than \$500,000.

- ✓ Agencies not to exceed five years – There was a single FHLB step-up bond with a stated final maturity in six years that was subsequently *called away* on April 28, 2008.
- ✓ Mortgage-backs not to exceed 30 years – all mortgage-backs included in the portfolio have final maturities of less than of 30 years. Rapid prepayments due to multiple refinancing opportunities have resulted in average lives that are much shorter.

Portfolio Composition

- ✓ Repurchase agreements limited to 5% - The only repurchase agreement in effect is used on the investment side of a cash management sweep. At quarter end, this represented *less than 1% of the portfolio*.
- ✓ CDs limited to 30% - The percentage allocated to CDs is *just over 3%*.
- ✓ Zero coupon strips limited to 5% - There are *no* Treasury coupon strips included in the portfolio.
- ✓ Mortgage-backed securities limited to 30% - the percentage of total assets allocated to MBS is approximately 21%.

V PORTFOLIO ANALYSIS as of March 31, 2008



Fifteen percent (15%) of the portfolio has been allocated to full-faith-and-credit U.S. Treasury securities while 11% of the portfolio has been invested in Federal agencies which include bonds issued by FHLB (5.8%), Fannie Mae (2.9%) and Freddie Mac (2.2%). Agency prices were verified via Bloomberg and appeared to be accurate as of report date.

A large 40% is currently held in money market funds which are described in more detail in section VI below.

Eight percent (8%) of the County's assets are held in the Florida SBA pool. Although the pool experienced problems in 2007, the structure has changed and a number of important controls have been put into place. An updated look at the SBA is included in section VII below.

Florida bank CD's make up 3% of the portfolio.

There are a couple of components to this portfolio that on the surface may draw concern. The first is the Collateralized Mortgage Obligations or CMOs. The second are pass-through Mortgage-Backed Securities or MBSs. Neither of these present a problem for the County.

The two CMOs are among the safest of the mortgage products. The first is a Sequential Class. The second is a Planned Amortization Class (PAC). Both of these classes were designed to be *shorter* and *less volatile* than a standard pass-through MBS. These particular bonds, which now represent only a fractional percentage of the portfolio, were only mentioned in this report because riskier CMOs classes have resulted in large losses to other municipal investors in past years.

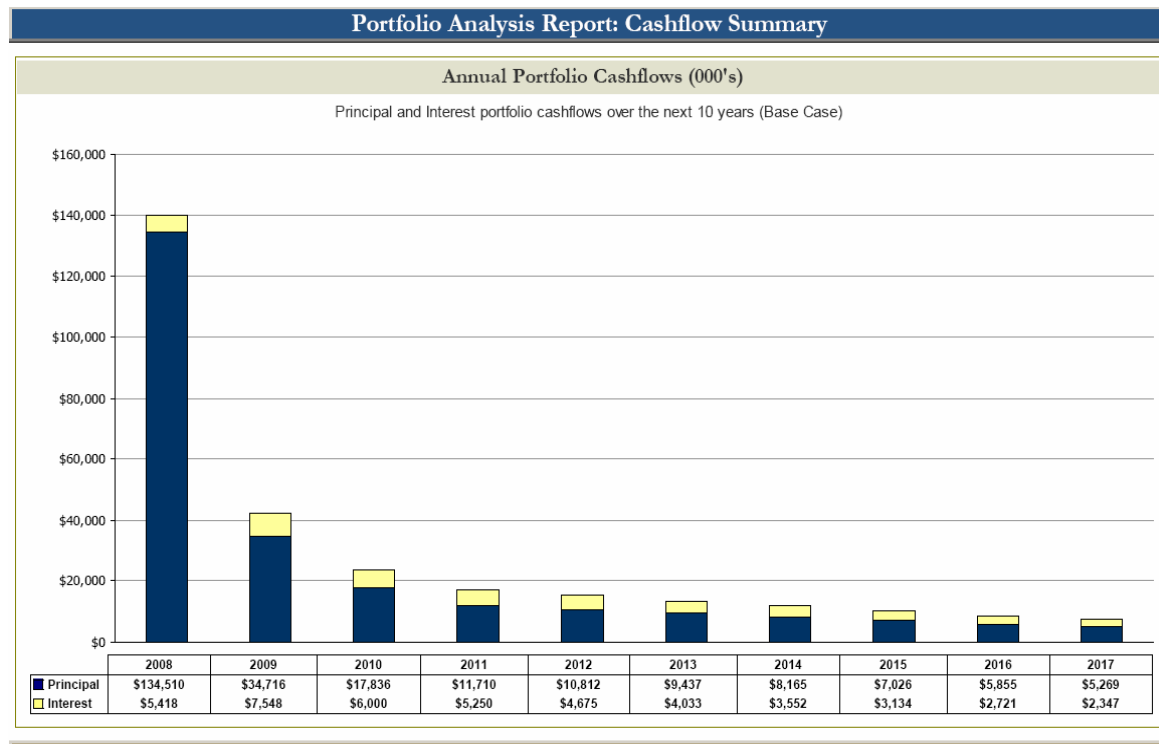
The mortgage-back securities are *secured* by pools of mortgage loans. When the homeowner makes a payment, principal and interest "pass through" to the County. These pools represent a much larger portion of the total portfolio, *but are all agency issued*. In the case of Federal National Mortgage Association (FNMA or "Fannie Mae") and Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") pools, the agencies themselves guarantee timely payment of principal and interest. The Government National Mortgage Association (GNMA or "Ginnie Mae") pools are backed by the full-faith-and-credit of the US Treasury.

The specific MBS types in the portfolio are as follows:

- Hybrid Arm 3/1
- Hybrid Arm 5/1
- Hybrid Arm 7/1
- Hybrid Arm 10/1
- GNMA Arm 3/1
- Conventional Arm
- 30-yr pass-through
- 15-yr pass-through
- 10-yr pass-through

The Hybrid Adjustable Rate Mortgages (ARMs), which make up the majority of the mortgage portfolio, pay a fixed rate of interest for a specified number of years (3, 5, 7 or 10) and then float based on an index which is typically 6-mo LIBOR, 1-yr LIBOR or the 1-yr Constant Maturity Treasury (CMT) *plus a spread*. As the reset date approaches, the majority of borrowers historically will try and refinance their loans. Part of the uncertainty in today's market has to do with whether they will be able to achieve this given the collapse of housing prices. Mortgage prices were verified and appear accurate as of reporting date.

The expected cash flow on the security portfolio is fronted-loaded due to a large Treasury-bill maturity in May, Federal agency maturities and called bonds. Subsequent year's forecasted cash flow generally consists of mortgage principal and interest payments.



VI MONEY MARKET FUND ANALYSIS

When evaluating money market funds, it's important to consider the fund's authorized investments and its fee structure. These two components will, over time, determine the fund yield.

The following is detail on each of the three money market funds with which the County currently invests its funds:

1) INVESCO AIM PREMIER US GOVERNMENT MONEY PORTFOLIO

- Ratings - AAAm (S&P), Aaa (Moody's)
- Buys Repo, US Treasuries and Government agencies
- 48-day weighted-average maturity (WAM)
- \$504 million in fund assets
- Fee - **10 bps** (1/10th of 1%)
- 30-day average fund rate - 2.59%

This is a conservative fund with a low fee structure. The longer WAM is beneficial during periods in which rates are falling. When the Fed begins raising rates, funds with shorter maturities will outperform.

2) DREYFUS TREASURY CASH MANAGEMENT

- Ratings - AAAm (S&P), Aaa (Moody's)
- Buys US Treasuries and Repo backed by US Treasuries
- 39-day weighted-average maturity (WAM)
- \$15.7 billion in fund assets
- Fee - **20 bps** (1/5th of 1%)
- 30-day average fund rate - 1.81%

This is a 100% Treasury fund with a relatively high fee structure. Although the portfolio quality is virtually risk-free, there is a significant opportunity cost associated with a Treasury-only fund. Keep in mind that a 10 basis point increase in yield on a \$100 million balance equates to an extra \$100,000 in annual earnings.

3) WELLS FARGO ADVANTAGE

- Ratings - AAAm (S&P), Aaa (Moody's)
- Buys Repo and Government agencies
- 27-day weighted average maturity (WAM)
- \$33 billion in fund assets
- Fee - **20 bps** (1/5th of 1%)
- 30-day average fund rate – 2.19%

This Wells Fargo fund purchases the same type of securities as the AIM Premier fund. However, the AIM fund had a longer WAM which insulated it better against the aggressive Fed rate cuts during the quarter. In addition, the AIM fee is half of the Wells Fargo fund which translated directly into a higher rate to fund investors.

VII THE SBA POOL

- Ratings - AAAM (S&P)
- Buys Repo, Government agencies, Corporate Notes, Commercial Paper
- 17-day weighted average maturity (WAM)
- \$8.6 billion in pool assets
- Fee - 3.68 bps
- 30-day average fund rate - 2.87%

A number of significant changes have taken place in the Florida SBA pool during the past several months. The net effect is that the new pool structure has much improved safety and control. The following is a summary of important SBA changes:

- ✓ Pool Rating (Dec) - Pool A received a AAAM-rating from S&P. This will limit the maximum weighted-average maturity of the portfolio to 60 days and limit maturities on individual securities to a 13-month maximum. The rating also establishes a 5% individual issuer limitation.
- ✓ Safekeeping (Dec) - Custody of pool assets has been transferred to the *Bank of New York / Mellon Financial*.
- ✓ Oversight (Dec) - An independent monthly committee was formed to report on holdings and performance.
- ✓ New Management (Jan) - *Federated Investors* was selected to succeed interim manager *BlackRock* as the internal pool manager. Federated was established in 1955 and is currently one of the largest funds management companies in the US with assets of more than \$300 billion.
- ✓ Compliance (March) - A *full-time* independent compliance officer position was created to monitor the portfolio on an ongoing basis.
- ✓ Fee Structure - The fee structure associated with external management and custody is currently 3.68 basis points. Although this above the 1.5 bp external fee that had been previously charged, it is well below the typical fee charged by institutional money market funds.
- ✓ Disclosure – The portfolio of assets is posted weekly on the SBA website.

The improved controls, safeguards and procedures now make the SBA pool a safe, viable investment option for liquid funds.

VIII SCENARIO ANALYSIS

The analysis that was done by the PRIMA system differs from a scenario analysis recently performed by SunTrust. Neither report is incorrect. The difference is in the subjective input data to the two models that generate the reports. The big question regarding mortgage-backs is *how they will prepay* as lending rates move higher and lower. The input gets complicated in this unusual housing environment because it is not clear that homeowners who would normally be able to refinance away from adjustable rate mortgages will be able to do so. The Prima modeling, which excluded all called and matured securities, considered six rate scenarios up and down 50 basis points from the base to calculate the following:

Horizon Duration (yrs)	
-150	n/a
-100	0.64
-50	1.78
Base	2.71
+50	3.42
+100	3.92
+150	4.20

Because this analysis does not include the money market fund balances, the duration appears longer than it would otherwise. However, the portfolio duration remains reasonably stable as interest rates rise. The notion that rates could fall much further from current levels is unlikely. A 150 basis drop is not accurately measured by this model. If rates were to increase by 150 basis points, security duration would be expected to extend from 2.7 to 4.2 years.

Horizon Market Price	
-150	\$104.64
-100	\$104.01
-50	\$103.11
Base	\$101.83
+50	\$100.22
+100	\$98.36
+150	\$96.39

The market value of the portfolio falls as rates rise and duration lengthens, but degree of portfolio deterioration resulting from a 150 basis point increase is expected to represent only a five percentage point decline. In a buy-and-hold scenario, this drop in book value would not result in a realized loss. However, this price depreciation model scenario suggests that additional allocation to mortgage-backs prior to Fed rate hikes will subject the County to a higher degree of price volatility.

Total Return Profile	
-150	2.67
-100	3.35
-50	3.78
Base	3.56
+50	3.05
+100	2.37
+150	1.61

Total return is a function of security yield, plus or minus increases or decreases in market price. As interest rates rise, total return falls. This is a normal occurrence regardless of the security types held in the portfolio. Although the County portfolio's return would decrease, yields on existing securities as well as rates on money market funds and rollover CD's would increase. The degree of return volatility that the model predicts is minimal in relative terms.

The thing to take away from any scenario analysis is how much volatility the portfolio displays as rates change. In the case of this portfolio, the overall volatility is reasonable.

IX STRATEGY IN THE CURRENT MARKETS

Because the Fed appears to be nearing completion of the current easing cycle, the market has begun anticipating *when* tightening, or expected rate hikes, will begin. If inflationary pressure eases as the economy slows, the Fed will be afforded the luxury of maintaining short term rates at current levels, but if inflationary pressures increase, the timing and magnitude of the rate hikes could be quite dramatic. The general effect on the existing mortgage-back portfolio during rate tightening, would be a lengthening of average life as home owners are less likely to refinance or make extra principal payments against their loans. Thus, with yields near a 4-year low, a prudent strategy would be to limit market risk by purchasing securities with maturities not to exceed 12 to 15 months. With approximately 45% of the security portfolio already invested in mortgage-back securities, further investment in this security types should be limited. Federal agency "bullet" paper issued by Fannie Mae, Freddie Mac, Federal Home Loan Bank and Federal Farm Credit Bank are preferred over additional mortgage-backs. As interest rates rise, callable agencies may have value depending on the spread offered over non-callable issues.

Money market funds and constant dollar investment pools should outperform most security types as interest rates rise. Thus, it's beneficial to maintain a higher percentage in overnight investments during periods of Fed tightening. The specific money market funds selected can have a significant impact on earnings. Unless there is a specific requirement to do so, Treasury-only money market funds are not recommended, simply because the yield is so low compared to other fund choices. It also pays to *shop money market funds* as rates can vary among even the largest and well known fund families.

The SBA pool is now AAA-rated and managed by one of the Nation's premier money managers. Because it is operated as a LGIP, it is subject to a 60-day WAM limitation, which is more conservative than AAA-rated money market fund guidelines. Consider the SBA pool relative to comparable money market funds.

Bank CD's often offer higher rates relative to Federal agencies during periods of Fed easing. Consider CD's relative to agencies with comparable maturities.

X SUMMARY

The Policy is in need of an update to better reflect changes that have occurred in the market in recent years. Otherwise, the Policy meets the requirements as set forth in Florida Statute 218.415. Likewise, all securities held in the portfolio as of the reporting date are authorized under existing policy. Although the portfolio contains mortgages, a sector that has experienced notable liquidity problems in recent months, the actual securities held by the County are of the safer variety and total only 21% of overall investment assets and 45% of the security portfolio. All other investments are even more conservative and don't present any apparent problems in the current market, or in the event that the Fed reverses monetary policy and starts raising rates later this year or in 2009. Portfolio prices have been verified and appear accurate. The portfolio earnings are solid, although with high percentages held in money market funds, it's strongly suggested that the County continue to look for the best available funds at any given time.

Scott McIntyre, CFA
Senior Portfolio Manager

This information has been provided at your request for informational purposes only. It has been obtained from sources believed to be reliable; however, First Southwest Company does not guarantee the accuracy or completeness of the above information.

EXHIBIT A

2007 FLORIDA STATUTE 218.415

FLORIDA STATUTES - 2007

218.415 Local government investment policies.--Investment activity by a unit of local government must be consistent with a written investment plan adopted by the governing body, or in the absence of the existence of a governing body, the respective principal officer of the unit of local government and maintained by the unit of local government or, in the alternative, such activity must be conducted in accordance with subsection (17). Any such unit of local government shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses as provided in subsections (1)-(16), or shall meet the alternative investment guidelines contained in subsection (17). Such policies shall be structured to place the highest priority on the safety of principal and liquidity of funds. The optimization of investment returns shall be secondary to the requirements for safety and liquidity. Each unit of local government shall adopt policies that are commensurate with the nature and size of the public funds within its custody.

✓ (1) SCOPE.--The investment policy shall apply to funds under the control of the unit of local government in excess of those required to meet current expenses. The investment policy shall not apply to pension funds, including those funds in chapters 175 and 185, or funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

✓ (2) INVESTMENT OBJECTIVES.--The investment policy shall describe the investment objectives of the unit of local government. Investment objectives shall include safety of capital, liquidity of funds, and investment income, in that order. ~~_____~~

(3) PERFORMANCE MEASUREMENT.--The investment policy shall specify performance measures as are appropriate for the nature and size of the public funds within the custody of the unit of local government.

✓ (4) PRUDENCE AND ETHICAL STANDARDS.--The investment policy shall describe the level of prudence and ethical standards to be followed by the unit of local government in carrying out its investment activities with respect to funds described in this section. The unit of local government shall adopt the Prudent Person Rule, which states that: "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

☆ (5) LISTING OF AUTHORIZED INVESTMENTS.--The investment policy shall list investments authorized by the governing body of the unit of local government, subject to the provisions of subsection (16). Investments not listed in the investment policy are prohibited. If the policy authorizes investments in derivative products, the policy must require that the unit of local government's officials responsible for making investment decisions or chief financial officer have developed sufficient understanding of the derivative products and have the expertise to manage them. For purposes of this subsection, a "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or index or asset values. If the policy authorizes investments in reverse repurchase agreements or other forms of leverage, the policy must limit the investments to transactions in which the proceeds are intended to provide liquidity and for which the unit of local government has sufficient resources and expertise.

(6) MATURITY AND LIQUIDITY REQUIREMENTS.--The investment policy shall require that the investment portfolio is structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the investment policy should direct that, to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

(7) PORTFOLIO COMPOSITION.--The investment policy shall establish guidelines for investments and limits on security issues, issuers, and maturities. Such guidelines shall be commensurate with the nature and size of the public funds within the custody of the unit of local government.

(8) RISK AND DIVERSIFICATION.--The investment policy shall provide for appropriate diversification of the investment portfolio. Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. *Quote*
Diversification strategies within the established guidelines shall be reviewed and revised periodically, as deemed necessary by the appropriate management staff.

(9) AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS.--The investment policy should specify the authorized securities dealers, issuers, and banks from whom the unit of local government may purchase securities. *Specific dealer?*

(10) THIRD-PARTY CUSTODIAL AGREEMENTS.--The investment policy shall provide appropriate arrangements for the holding of assets of the unit of local government. Securities should be held with a third party; and all securities purchased by, and all collateral obtained by, the unit of local government should be properly designated as an asset of the unit of local government. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized staff member of the unit of local government. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(11) MASTER REPURCHASE AGREEMENT.--The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

(12) BID REQUIREMENT.--The investment policy shall require that the unit of local government's staff determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in subsection (2) must be selected.

(13) INTERNAL CONTROLS.--The investment policy shall provide for a system of internal controls and operational procedures. The unit of local government's officials responsible for making investment decisions or chief financial officer shall establish a system of internal controls which shall be in writing and made a part of the governmental entity's operational procedures. The investment policy shall provide for review of such controls by independent auditors as part of any financial audit periodically required of the unit of local government. The internal controls should be designed to prevent losses of

★ funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the unit of local government.

(14) CONTINUING EDUCATION.--The investment policy shall provide for the continuing education of the unit of local government's officials responsible for making investment decisions or chief financial officer. Such officials must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

(15) REPORTING.--The investment policy shall provide for appropriate annual or more frequent reporting of investment activities. To that end, the governmental entity's officials responsible for making investment decisions or chief financial officer shall prepare periodic reports for submission to the legislative and governing body of the unit of local government, which shall include securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

(16) AUTHORIZED INVESTMENTS; WRITTEN INVESTMENT POLICIES.--Those units of local government electing to adopt a written investment policy as provided in subsections (1)-(15) may by resolution invest and reinvest any surplus public funds in their control or possession in:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

(b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. AAA

(c) Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.

(d) Direct obligations of the United States Treasury.

(e) Federal agencies and instrumentalities.

(f) Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.

(g) Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

(h) Other investments authorized by law or by ordinance for a county or a municipality. -OPEN

(i) Other investments authorized by law or by resolution for a school district or a special district.

X (17) AUTHORIZED INVESTMENTS; NO WRITTEN INVESTMENT POLICY.--Those units of local government electing not to adopt a written investment policy in accordance with investment policies developed as provided in subsections (1)-(15) may invest or reinvest any surplus public funds in their control or possession in:

(a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01.

(b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

(c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.

(d) Direct obligations of the U.S. Treasury.

The securities listed in paragraphs (c) and (d) shall be invested to provide sufficient liquidity to pay obligations as they come due.

(18) SECURITIES; DISPOSITION.--

(a) Every security purchased under this section on behalf of the governing body of a unit of local government must be properly earmarked and:

1. If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the governing body's interest in the security;

2. If in book entry form, must be held for the credit of the governing body by a depository chartered by the Federal Government, the state, or any other state or territory of the United States which has a branch or principal place of business in this state as defined in s. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this state, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or

3. If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

(b) The unit of local government's governing body may also receive bank trust receipts in return for investment of surplus funds in securities. Any trust receipts received must enumerate the various securities held, together with the specific number of each security held. The actual securities on which the trust receipts are issued may be held by any bank depository chartered by the Federal Government, this state, or any other state or territory of the United States which has a branch or principal place of business in this state as defined in s. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this state.

(19) SALE OF SECURITIES.--When the invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the unit of local government's governing body may

sell such investments at the then-prevailing market price and place the proceeds into the proper account or fund of the unit of local government.

(20) **PREEXISTING CONTRACT.**--Any public funds subject to a contract or agreement existing on October 1, 2000, may not be invested contrary to such contract or agreement.

(21) **PREEMPTION.**--Any provision of any special act, municipal charter, or other law which prohibits or restricts a local governmental entity from complying with this section or any rules adopted under this section is void to the extent of the conflict.

(22) **AUDITS**--Certified public accountants conducting audits of units of local government pursuant to s. 218.39 shall report, as part of the audit, whether or not the unit of local government has complied with this section.

(23) **AUTHORIZED DEPOSITS.**--In addition to the investments authorized for local governments in subsections (16) and (17) and notwithstanding any other provisions of law, a unit of local government may deposit any portion of surplus public funds in its control or possession in accordance with the following conditions:

(a) The funds are initially deposited in a qualified public depository, as defined in s. 280.02, selected by the unit of local government.

(b) The selected depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured banks or savings and loan associations, wherever located, for the account of the unit of local government.

(c) The full amount of principal and accrued interest of each such certificate of deposit is insured by the Federal Deposit Insurance Corporation.

(d) The selected depository acts as custodian for the unit of local government with respect to such certificates of deposit issued for its account.

(e) At the same time the unit of local government's funds are deposited and the certificates of deposit are issued, the selected depository receives an amount of deposits from customers of other federally insured financial institutions, wherever located, equal to or greater than the amount of the funds initially invested by the unit of local government through the selected depository.

History.--s. 1, ch. 95-194; s. 2, ch. 97-9; s. 3, ch. 2000-264; ss. 66, 141, ch. 2001-266; s. 2, ch. 2005-126; s. 1, ch. 2007-89.

Bundled CDs

EXHIBIT B

MONEY MARKET FUND DETAIL



Institutional Money Market Funds
Daily Performance Update
March 31, 2008

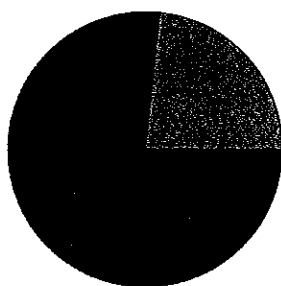
Intermediary

Fund	Classes	12B-1 Service Fee	365	360	7-Day	30-Day	WAM	Assets	Same-Day Settlement	***
ATST Premier Portfolio	Institutional	10	3.16%	3.12%	3.15%	3.32%	37.96	\$5,192,912,712.93	5 p.m. ET	
Buys A-1/P-1 rated Commercial Paper and Repo										
Ratings* AAAM(S&P),Aaa(Moody's)										
Approval: **NAIC-1										
ATST Premier U.S. Gov't Money Portfolio	Institutional	10	2.24%	2.21%	2.19%	2.59%	47.97	\$504,201,899.10	5 p.m. ET	
Buys Repo, US Treasuries and Government Agencies										
Ratings* AAAM(S&P),Aaa(Moody's)										
Approval: **NAIC-0										
ATST Premier Tax-Exempt Portfolio	Institutional	10	2.83%	2.79%	2.92%	3.20%	24.00	\$129,573,393.10	4 p.m. ET	
Buys Short-Term Municipal Obligations										
STIT - Liquid Assets Portfolio	Institutional	0	3.19%	3.14%	3.16%	3.31%	47.50	\$24,036,848,942.48	5 p.m. ET	
Buys A-1/P-1 rated Commercial Paper and Repo										
Ratings* AAAM(S&P),Aaa(Moody's), AAA(FitchRatings)	Corporate	3	3.15%	3.11%	3.12%	3.28%				
	Cash Management	8	3.11%	3.06%	3.08%	3.23%				
	Resource	20	2.99%	2.94%	2.96%	3.11%				
	Private	25	2.89%	2.85%	2.86%	3.01%				
	Personal	40	2.64%	2.60%	2.61%	2.76%				
Approval: **NAIC-1	Reserve	75	2.32%	2.29%	2.29%	2.45%				
STIT STIC - Prime Portfolio	Institutional	0	2.77%	2.73%	2.73%	2.94%	17.67	\$8,399,213,086.81	4 p.m. ET	
Buys A-1/P-1 CP and Repo 60 days and in										
Ratings* AAAM(S&P),Aaa(Moody's), AAA(FitchRatings)	Corporate	3	2.74%	2.70%	2.70%	2.91%				
	Cash Management	8	2.69%	2.66%	2.65%	2.86%				
	Resource	16	2.61%	2.58%	2.57%	2.78%				
	Private	25	2.47%	2.44%	2.43%	2.64%				
	Personal	40	2.22%	2.19%	2.18%	2.39%				
Approval: **NAIC-1	Reserve	75	1.90%	1.88%	1.86%	2.07%				
STIT - Government & Agency Portfolio	Institutional	0	2.55%	2.51%	2.48%	2.86%	52.47	\$4,785,708,880.41	5 p.m. ET	
Buys Repo, Treasuries, Agencies										
Ratings* AAAM(S&P),Aaa(Moody's), AAA(FitchRatings)	Corporate	3	2.52%	2.48%	2.45%	2.83%				
	Cash Management	8	2.47%	2.43%	2.40%	2.78%				
	Resource	16	2.39%	2.36%	2.31%	2.70%				
	Private	25	2.25%	2.22%	2.18%	2.56%				
	Personal	40	2.00%	1.97%	1.93%	2.31%				
Approval: **NAIC-0	Reserve	75	1.68%	1.66%	1.61%	1.99%				
STIT - Treasury Portfolio	Institutional	0	1.59%	1.57%	1.58%	1.94%	52.16	\$15,312,523,063.62	5 p.m. ET	
Buys US Treasuries and Repo										
Ratings* AAAM(S&P), Aaa(Moody's), AAA(FitchRatings)	Corporate	3	1.56%	1.54%	1.55%	1.91%				
	Cash Management	8	1.51%	1.49%	1.51%	1.86%				
	Resource	16	1.43%	1.41%	1.42%	1.78%				
	Private	25	1.29%	1.27%	1.28%	1.64%				
	Personal	40	1.04%	1.03%	1.03%	1.39%				
Approval: **NAIC-0	Reserve	75	0.72%	0.71%	0.71%	1.07%				
STIT - Government Tax Advantage Portfolio	Institutional	0	2.16%	2.13%	2.26%	2.47%	37.42	\$841,553,828.42	3 p.m. ET	
Buys US Treasuries and Government Agencies										
Ratings* AAAM(S&P),Aaa(Moody's), AAA(FitchRatings)	Corporate	3	2.13%	2.10%	2.23%	2.44%				
	Cash Management	8	2.08%	2.05%	2.19%	2.39%				
	Resource	16	2.00%	1.97%	2.11%	2.31%				
	Private	25	1.91%	1.89%	2.02%	2.22%				
	Personal	40	1.61%	1.59%	1.71%	1.92%				
Approval: **NAIC-0	Reserve	75	1.29%	1.27%	1.39%	1.60%				

Dreyfus Treasury & Agency Cash Management – Institutional Shares

April 30, 2008

Asset Allocation¹



■ Repurchase Agreements 76.61%
■ U.S. Treasury 23.39%

Average Annual Total Returns as of 3/31/08

1 yr	3 yr	5 yr	10 yr
4.23%	4.23%	2.99%	3.56%

Average Annual Total Returns as of 4/30/08

1 yr	3 yr	5 yr	10 yr
3.94%	4.21%	3.00%	3.53%

Cumulative Total Returns as of 4/30/08

1 mo	YTD	1 yr	3 yr	5 yr	10 yr
0.14%	0.79%	3.94%	13.16%	15.91%	41.43%

Current Yields as of 4/30/2008

7-day yield	1.59%
30-day yield	1.81%

Leading Rating Agencies²

S&P	AAAm
Moody's	Aaa

NAIC – DOFFC Approved

Portfolio Manager

The Dreyfus Corporation

Fund Facts

NASDAQ symbol DTRXX

CUSIP 261908-10-7

Inception Date 09/04/86

Total Net Assets (for the fund) \$15,784,093,163

Number of Holdings (as of 03/31/08) 27

Dividend Policy Declare Daily Pay Monthly

Average Maturity (as of 03/31/08) 39 Days

12b-1 Fee N/A

Expense Ratio³ 0.20%
(as listed in Prospectus Fee Table)

Trading Deadline⁴ 5:00 p.m. ET

Fund Goal

The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity.

Investment Approach

The fund only invests in securities issued or guaranteed as to principal and interest by the U.S. government, and repurchase agreements (including tri-party repurchase agreements) in respect of these securities.

The performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Go to Dreyfus.com for the fund's most recent month-end returns. As a measure of current income, 7-day yield most closely reflects the fund's current income-generating ability.

Historical Total Return Performance

2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
4.86%	4.80%	2.91%	1.11%	0.96%	1.65%	3.96%	6.06%	4.84%	5.28%

Monthly Yield History

04/08	03/08	02/08	01/08	12/07	11/07	10/07	09/07	08/07	07/07	06/07	05/07
1.74%	1.81%	2.55%	3.38%	3.84%	4.15%	4.51%	4.61%	4.64%	5.01%	5.00%	5.04%

The fund's portfolio is structured within the confines of Rule 2a-7 under the Investment Company Act of 1940, as amended. 30-day yield is based upon dividends per share from net investment income during the past 30 days, divided by the fund's maximum offering price per share at the end of the month and annualized based on the number of days in the month.

An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

This material must be preceded or accompanied by a current prospectus.

¹ Portfolio composition is as of 3/31/08 and is subject to change at any time. All other information is as of 4/30/08 unless otherwise noted.

² S&P Fund ratings are not a recommendation to buy, sell or hold the shares of a fund. A money market fund rating serves as a current assessment of the fund's overall safety as Standard & Poor's conducts ongoing monitoring of a fund's portfolio and management. The fund has extremely strong capacity to maintain principal and stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. Moody's Investors Service ratings incorporate an assessment of a fund's published investment objectives and policies and the creditworthiness of the assets held by the fund, as well as the management characteristics. The ratings are not intended to consider the prospective performance of a fund with respect to appreciation, volatility of net asset value or yield. National Association of Insurance Commissioners approved mutual fund list; U.S. Direct Obligations/Full Faith and Credit Exempt listings (DOFFC) are exempt from NAIC reserve requirements while Class 1 listings must be reserved against as prescribed by NAIC. NAIC listing is not a principal stability rating. Subject to annual review.

³ As to the fund's Institutional Shares, unless The Dreyfus Corporation gives holders of Institutional Shares at least 90 days notice to the contrary, Dreyfus, and not the fund, will be liable for all fund expenses (exclusive of taxes, brokerage, interest on borrowing and extraordinary expenses) other than the management fee payable by the fund monthly at the annual rate of 0.20 of 1% of the value of the fund's average daily net assets attributable to Institutional Shares. Please see the prospectus for expenses as of the fund's most recent fiscal year-end. Operating expenses may vary from month to month.

⁴ In order to earn same-day dividends, orders to purchase shares must be received in proper form by Dreyfus Investments Division in New York by 5:00 P.M. Eastern Time and federal funds must be received by the Fund's Custodian by 6:00 P.M. Eastern Time. See the prospectus for more details.



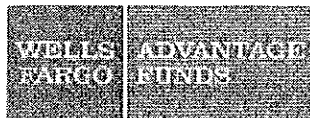
BNY MELLON
ASSET MANAGEMENT

■ NOT FDIC-INSURED ■ NOT BANK-GUARANTEED ■ MAY LOSE VALUE

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Dreyfus

0521PER-0408



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Products > Government Money Market

Government Money Market Fund – Institutional Class

All information on this page is as of 05-13-08 unless otherwise noted

Select a Share Class

Institutional

Fund Number	1751
Ticker	GVIXX
CUSIP	94975P405
7-Day Current Yield as of 05-13-08	2.07%
7-Day Effective Yield	2.10%
YTD Return	1.08%
Investment Minimum	\$10,000,000
Inception Date	11-16-1987
Total Fund Assets as of 04-30-2008	\$32,945,288,155.17

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- [Prospectus – Inst](#)
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[OPEN AN ACCOUNT](#)**WHO'S BEHIND THE FUNDS?****David D. Sylvester**Executive Vice President
Wells Capital Management[View Biography](#)

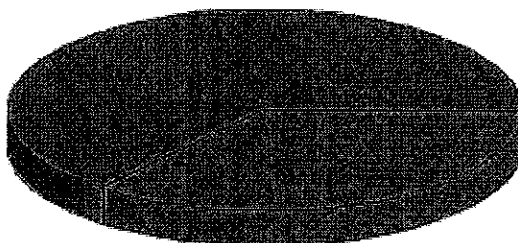
- [View a list of complete holdings](#)
- [View historical daily yields](#)

Ratings

S&P	AAAm
Moody's	Aaa
NAIC Approval	Yes

Portfolio Statistics – as of 03-31-2008

Number of Securities	97
Weighted Average Effective Maturity	25.00 Day(s)
Expense Ratio – effective since 07-01-07	0.20%

Portfolio Composition as of 04-30-2008

	Federal Agencies (35.8%)
	Repurchase Agreements (64.1%)

30 DAY AS PER WELLS
FARGO 3/31/08
2.19
—

EXHIBIT C

STANDARD & POOR'S FUND PROFILE – SBA POOL



Florida Local Government Investment Pool A

Principal Stability Fund Ratings Definitions

AAAm A fund rated 'AAAm' has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks. 'AAAm' is the highest principal stability fund rating assigned by Standard & Poor's.

AAAm A fund rated 'AAAm' has very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks.

Am A fund rated 'Am' has strong capacity to maintain principal stability but is somewhat more susceptible to principal losses due to adverse credit, market and/or liquidity risks than higher-rated funds.

BBBm A fund rated 'BBBm' has adequate capacity to maintain principal stability. However, adverse market conditions and/or higher levels of redemption activity are more likely to lead to a weakened capacity to limit exposure to principal loss as a result of higher exposure to credit, market and/or liquidity risks.

BBm A fund rated 'BBm' has uncertain capacity to maintain principal stability and is vulnerable to principal losses resulting from its exposures to credit, market and/or liquidity risks.

Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

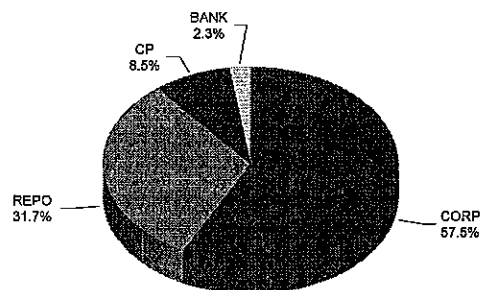
G The letter 'G' follows the rating symbol when a fund's portfolio consists primarily of direct U.S. government securities.

Plus (+) or Minus (-) The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

About the Fund

Fund Rating	AAAm
Fund Type	Stable NAV Government Investment Pool
Investment Adviser	State Board of Administration of Florida www.sbafla.com/pool
Portfolio Manager	Federated Investors, Inc. (Since March 2008)
Date Rating Assigned	December 2007
Custodian	Bank of New York Mellon Corp.

Portfolio Composition as of March 27, 2008



CORP - Corporate; REPO - Repurchase Agreement; CP - Commercial Paper; BANK - Bank Deposits

Fund Highlights

- Three layers of oversight: Board of Trustees, LGIP Advisory Committee and Investment Oversight Group
- NAV monitored on a daily basis

Rationale

The 'AAAm' rating on the Florida Local Government Investment Pool A is based on our analysis of the fund's credit quality, market price exposure, and management. The rating signifies extremely strong capacity to maintain principal value and limit exposure to principal losses due to credit, market, and/or liquidity risks. This is accomplished through conservative investment practices and strict internal controls. We monitor principal stability rated investment pools weekly.

Overview

The Florida Local Government Investment Pool (LGIP) is one of four open-pool investment funds operated by the State Board of Administration (SBA) of Florida. All four funds operate in essentially the same fashion as mutual funds and are open to non-pension assets of all Florida governmental entities.

On December 6th, 2007 when the LGIP reopened to investors after being closed on November 29th, it was separated into two pools - LGIP A (now rated AAAm by S&P) and the LGIP B (not rated by S&P). LGIP A will buy only top-tier, money-market assets of the highest quality and is the ongoing fund for participants.

LGIP A is structured as a '2a-7 like' fund with an objective to pool investments from participants in a portfolio of eligible securities that principally provides liquidity while preserving capital and secondarily provides competitive yields net of fees. The objective to preserve capital is consistent with the intent to pay \$1.00 per share net asset value

(NAV).

Management

On November 30, 2007, the SBA hired BlackRock Financial Management, Inc. (BlackRock) as the interim investment manager for 90 days to handle all of the day-to-day investment decisions for the LGIP. During this interim period, the SBA issued an invitation to negotiate for long-term money market investment management services for the LGIP. In February 2008, Federated Investors, Inc. (Federated) was selected as the long-term investment manager for the LGIP, and on March 3, 2008, Federated replaced interim manager BlackRock.

Federated is one of the largest institutional money market fund managers in the United States, and as of December 31, 2007, Federated managed \$236.6 billion in money market assets. Approximately \$165 billion of Federated's money market assets were managed in 18 S&P AAAm rated portfolios. Currently, Federated manages public sector money in all 50 states, services 2,600 public entities directly and manages the nation's largest LGIP relationship.

Portfolio Assets

LGIP A's investment policy guidelines have been created to be '2a-7 like' as well as adhere to S&P's AAAm guidelines. The weighted average maturity (WAM) for LGIP A will be managed to 60 days or less. Pool A's guidelines allow for the purchase of only top-tier, money-market assets of the highest quality (at least 50% A-1+ and no more than 50% A-1) such as US Treasury and Agency obligations; corporate obligations (including CP and ABCP); municipal securities; bank obligations (CDs, BAs, TDs, etc.); repurchase agreements; and money market mutual funds.

Joel Friedman - (1) 212-438-5043

Investors should consider the investment objectives, risks and charges and expenses of the fund before investing. The prospectus which can be obtained from your broker-dealer, contains this and other information about the fund and should be read carefully before investing. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

Principal Stability Rating Approach and Criteria

Principal Stability Fund Rating, also known as a Money Market Rating, is a current opinion of a fund's capacity to maintain stable principal or net asset value. When assigning a Principal Stability rating to a fund, Standard & Poor's focuses on the creditworthiness of a fund's investments and counterparties, the market price exposure of its investments, sufficiency of the fund's portfolio liquidity, and management's ability and policies to maintain the fund's stable net asset value by limiting exposure to loss. A money market fund rating evaluates

Credit risk: credit quality, types, and diversity of portfolio investment.

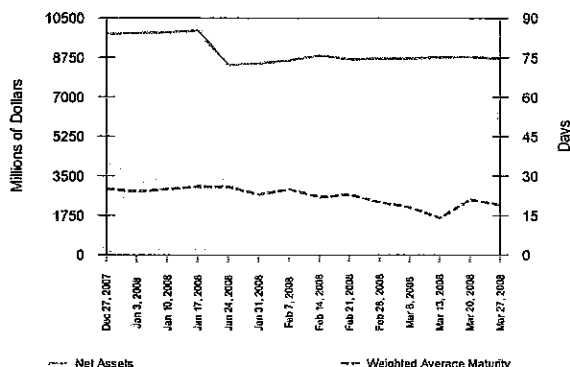
Market price exposure: degree of liquidity of investments, distribution and average length of maturities, and volatility of portfolio cash flows.

Management: philosophy, operating policies and procedures.

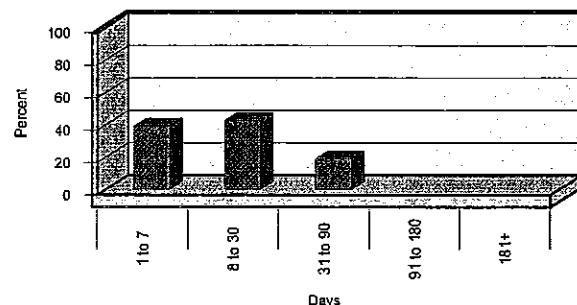
Data Bank as of March 27, 2008

Net Asset Value per Share	\$1.00	Net Assets (millions)	\$8,684.02	Inception Date	October 1977
Weighted Average Maturity	19 days	7-Day Yield	2.88%		

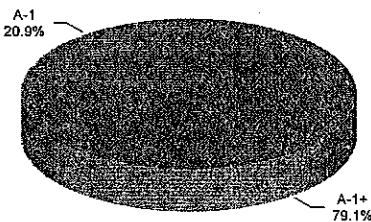
Net Assets and Weighted Average Maturity (WAM)



Portfolio Maturity Distribution as of March 27, 2008

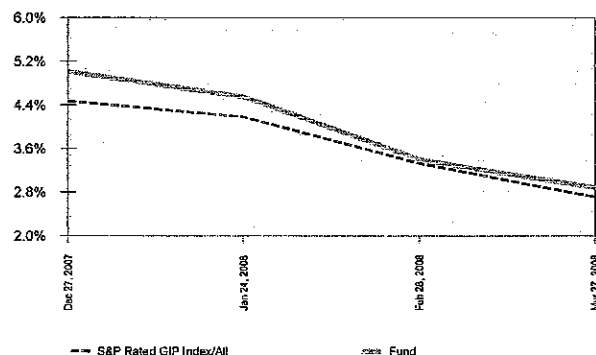


Portfolio Credit Quality as of March 27, 2008 *



*As assessed by Standard & Poor's

Portfolio 7 Day Yield Comparison *



*S&P Money Fund Indices are calculated weekly by iMoneyNet, Inc., and are comprised of funds rated or assessed by S&P to within the specific rating categories. The S&P Rated GIP Indices are calculated weekly by S&P and are comprised of 'AAAmm' and 'AAAm' government investment pools.

The yield quoted represents past performance. Past performance does not guarantee future results. Current yield may be lower or higher than the yield quoted. Performance data current to the most recent month-end may be available by calling the Fund at the phone number listed in the "About the Fund" section on page 1.

Fund portfolios are monitored weekly for developments that could cause changes in the ratings. Rating decisions are based on periodic meetings with senior fund executives and public information.

The Principal Stability Fund Rating for this fund issued by Standard & Poor's can be found in the 'About the Fund' section on page 1. The rating is current as of the date of this profile report. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same rating or perform in the future as rated. Not all money market funds have principal stability fund ratings and those that do may have paid for them. The fact that a fund has a rating is not an indication that it is more or less risky or volatile than a fund that does not. The fund or a third party participating in the marketing of fund shares paid Standard & Poor's for this rating. Standard & Poor's receives no payment for disseminating ratings, except for subscriptions to its publications.

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EXHIBIT D

COUNTY INVESTMENT LISTING AS OF MARCH 31, 2008

DETAIL SCHEDULE OF INVESTMENTS

31-Mar-08

CUSIP Number	Type/Name of Security	Market Value	Coupon Rate	Yield to Maturity	Maturity Date	Purchase Date	PURCH %	Purchase Price	Accrued Interest
AGENCIES									
31339YPW6	FHLB AGENCY NOTE	5,001,550	3.160	3.16	7/21/2008	8/26/2003	97.05%	4,852,500	30,722
3133X63Q7	FHLB AGENCY NOTE	5,003,150	3.250	3.25	4/28/2008	4/28/2004	100.00%	5,000,000	69,063
3133X63X2	FHLB MULTI-STEP STRUCTURE	5,004,700	4.000	3.98	4/28/2014	4/28/2004	100.00%	5,000,000	85,000
3133X1VY0	FHLB AGENCY NOTE	5,051,550	4.000	2.31	11/14/2008	11/14/2003	100.00%	5,000,000	76,111
3133XNES4	FHLB AGENCY NOTE	2,080,750	4.750	4.31	12/12/2011	12/12/2007	100.00%	2,050,000	29,483
3133XEK32	FHLB MULTI-STEP STRUCTURE	5,185,950	4.850	2.24	8/17/2009	2/17/2006	100.00%	5,000,000	30,556
3133XNEM7	FHLB AGENCY NOTE	2,961,063	5.000	4.91	11/28/2012	11/28/2007	100.00%	2,950,000	50,396
3133XJQE1	FHLB DEB	5,062,500	5.450	5.09	2/15/2012	2/15/2007	100.00%	5,000,000	34,819
3133XFJM9	FHLB AGENCY NOTE	5,100,000	5.520	4.83	5/24/2011	5/24/2006	100.00%	5,000,000	97,367
3128X26T7	FHLMC MULTI-STEP STRUCTURE	5,005,850	3.500	4.46	4/22/2011	4/22/2004	100.00%	5,000,000	99,375
3128X2PQ2	FHLMC MULTI-STEP STRUCTURE	5,241,950	3.000	2.28	1/29/2010	1/29/2004	100.00%	5,000,000	43,056
3128X2YT6	FHLMC MULTI-STEP STRUCTURE	5,187,500	3.000	2.26	8/25/2009	2/25/2004	100.00%	5,000,000	25,000
31359MXL2	FNMA AGENCY NOTE	5,068,750	4.000	2.29	1/26/2009	1/26/2005	100.00%	5,000,000	36,111
3136F5JM4	FNMA MULTI-STEP STRUCTURE	5,107,800	3.500	1.77	3/23/2009	3/23/2004	100.00%	5,000,000	4,444
3136F4RB2	FNMA AGENCY NOTE	5,014,050	5.125	5.05	5/4/2012	11/4/2003	99.88%	4,993,750	104,635
31398ABC5	FNMA GLOBAL NT	5,095,300	5.300	4.78	5/7/2012	6/1/2007	99.45%	4,972,500	106,000
Total Agencies		<u>76,172,413</u>							<u>922,138</u>
CMOs									
31358FBS7	FNMA SERIES 1990-118 CLASS G	76,194	5.810	5.44	9/25/2020	7/25/1995	94.50%	3,536,190	363
31358GY43	FNMA SERIES 1991-56 CLASS M	38,176	6.750	6.27	6/25/2021	10/19/1993	102.13%	1,327,625	206
Total CMOs		<u>114,370</u>							<u>569</u>
MBS									
3128FHCT7	MBS FHLMC Gold 30-Yr	298,373	6.500	6.02	5/1/2026	7/25/2001	100.25%	3,431,198	1,536
31294JUL0	MBS FHLMC Gold 15-Yr	240,257	5.500	4.96	10/1/2013	11/17/1998	99.44%	2,983,125	1,074
31280JMK7	MBS FHLMC Gold 15-Yr	91,760	5.500	4.52	5/1/2009	11/17/1998	99.78%	3,744,319	416
31280RCN4	MBS FHLMC Gold 15-Yr	103,564	5.500	4.92	4/1/2013	11/17/1998	98.97%	3,117,516	463
3128GKER1	MBS FHLMC Gold 15-Yr	82,696	5.500	4.74	4/1/2011	6/21/2001	99.47%	1,943,753	371

CUSIP Number	Type/Name of Security	Market Value	Coupon Rate	Yield to Maturity	Maturity Date	Purchase Date	PURCH %	Purchase Price	Accrued Interest
31283KTB4	MBS FHLMC Gold 10-Yr	1,978,422	4.000	3.85	8/1/2013	8/28/2003	99.88%	4,993,750	6,549
3128M1TL3	MBS FHLMC Gold 15-Yr	4,173,941	5.500	5.26	10/1/2021	1/31/2007	99.81%	4,998,881	18,708
31282RXH2	MBS FHLMC Gold 7-Yr	70,232	5.500	5.45	4/1/2008	4/25/2001	99.63%	4,981,250	319
3128QJAY2	FHLM ARM Pool 1G0923	3,884,729	5.688	5.58	4/1/2036	2/22/2007	99.95%	4,716,120	36,230
3128QJG26	FHLM ARM Pool 1G117	12,647,590	5.038	5.07	9/1/2035	11/21/2007	99.25%	12,684,310	106,323
3128QJYB6	FLMC PARTN CTF ARM POOL	9,580,840	5.639	5.58	3/1/2037	4/24/2007	99.96%	9,994,848	89,328
3128QJ3C8	MBS FHLMC Gold 30-Yr	9,830,531	5.620	5.57	4/1/2037	5/27/2007	99.97%	9,996,875	90,864
3128NGF26	FLMC PARTN CTF ARM POOL	2,855,709	5.663	5.62	2/1/2037	4/24/2007	100.00%	2,963,300	26,790
3128NGF34	FLMC PARTN CTF ARM POOL	4,669,652	5.787	5.74	3/1/2037	6/21/2007	99.32%	4,851,780	44,117
3128QLRC7	FLMC PARTN CTF ARM POOL	3,438,946	5.394	5.36	1/1/2036	4/24/2007	99.50%	3,621,398	30,581
31349TWL1	MBS FHLMC ARM	4,138,291	5.036	4.89	10/1/2034	7/24/2006	96.85%	4,970,297	33,571
31349T6B2	FHLM ARM Pool	3,112,784	5.802	5.69	4/1/2036	8/23/2006	99.60%	4,267,703	29,570
31348SLE2	MBS FHLMC TSY ARM	32,766	4.329	6.53	12/1/2026	11/23/1999	100.00%	2,000,000	359
31348S5K6	MBS FHLMC TSY ARM	22,549	4.536	6.98	3/1/2028	11/23/1999	100.00%	4,022,788	264
31295KN83	MBS FHLMC TSY ARM	47,823	3.672	6.90	7/1/2029	11/24/1999	99.58%	1,848,950	554
31295KPW8	MBS FHLMC TSY ARM	111,408	4.283	7.07	9/1/2029	10/25/1999	99.44%	3,977,500	1,318
31295KZU1	MBS FHLMC TSY ARM	19,168	3.950	7.20	4/1/2030	5/24/2000	100.00%	3,000,000	231
3128JRQQ2	FLMHC CTF ARM	8,792,213	5.250	5.17	11/1/1936	12/29/2006	99.80%	9,893,409	75,300
31369BJJ5	MBS FNMA 1-YR TSY ARM	118,434	4.583	5.41	2/1/2023	2/23/1998	101.22%	1,063,544	540
31369YJ48	MBS FNMA 1-YR TSY ARM SF	23,094	3.045	6.54	6/1/2023	7/22/1993	101.94%	1,489,617	128
31371GS68	MBS FNMA 15-YR CONVENTIONAL	150,775	5.500	4.90	3/1/2013	11/17/1998	99.16%	2,209,905	673
31371HEQ7	MBS FNMA Conventional	27,512	5.500	5.08	12/1/2008	12/15/1998	100.00%	3,494,600	126
31371HFB6	MBS FNMA 15-YR CONVENTIONAL	20,364	5.500	5.12	1/1/2009	12/15/1998	100.00%	2,027,118	93
31371HJ82	MBS - FIXED RATE FNMA	12,578	6.000	5.28	4/1/2009	6/21/1999	99.06%	998,776	62
31371HJ90	MBS FNMA CONVENTIONAL	36,544	5.500	5.02	3/1/2009	3/19/1999	99.22%	2,976,563	167
31371HNF1	MBS FNMA CONVENTIONAL	20,043	6.000	5.18	4/1/2009	5/20/1999	99.66%	1,390,205	99
31371HPC6	MBS FNMA Conventional	92,482	5.500	4.95	5/1/2009	5/20/1999	98.88%	4,943,750	421
31371HSY5	MBS - FIXED RATE FNMA	41,153	6.000	5.20	6/1/2009	6/21/1999	99.06%	1,981,250	204
31371KAL5	MBS FNMA CONVENTIONAL	95,215	5.500	5.46	5/1/2008	6/21/2001	99.25%	4,920,977	433
31371ILDN6	MBS FNMA 10-Yr MF	1,955,739	4.000	3.88	9/1/2013	8/18/2003	99.31%	4,965,625	6,481
31371LE62	MBS-FNMA 10YR CONV MULTIFAM	1,989,571	4.000	3.88	10/1/2013	9/18/2003	99.13%	4,956,250	6,594
31371LRK7	MBS FNMA 10-YR CONVENTIONAL	2,425,820	4.000	3.92	6/1/2014	5/18/2004	97.81%	4,898,159	8,049
31374TC31	MBS FNMA 15-YR CONVENTIONAL	233,685	6.000	5.29	9/1/2013	5/20/1999	99.86%	5,292,547	1,131

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31380GUY3	MBS FNMA Conventional	55,416	5.500	5.19	12/1/2008	12/15/1998	100.00%	4,421,163	254
31380LKE7	MBS FNMA ARM SF	37,614	4.090	6.29	11/1/2027	12/23/1998	101.22%	3,542,656	199
31383K6X0	MBS FNMA 3X1 TSY ARM	77,716	3.919	6.89	7/1/2029	8/25/1999	98.91%	2,967,188	449
31383NZU8	MBS FNMA 1-YR TSY ARM SF	197,728	3.999	6.86	8/1/2029	7/30/1999	100.50%	3,578,571	1,136
31383UJD8	MBS FNMA 3X1 TSY ARM	34,869	4.260	6.97	8/1/2029	9/23/1999	99.72%	4,994,991	204
31384VQU9	MBS FNMA 3X1 TSY ARM	88,854	4.781	6.11	1/1/2030	5/23/2001	102.50%	5,864,148	456
31385HR46	MBS FNMA 15-YR CONVENTIONAL	623,415	5.500	5.02	9/1/2014	9/20/2001	99.69%	7,111,171	2,785
31387C3Z2	MBS FNMA 15-YR CONVENTIONAL	392,312	5.500	5.09	4/1/2016	9/20/2001	98.97%	4,156,688	1,752
31387DV63	MBS FNMA 3X1 TSY ARM	33,606	3.827	6.75	5/1/2031	5/23/2001	101.69%	5,160,885	190
31391BC39	FNMA ARM TBA Allocation	639,644	4.188	6.44	9/1/2032	9/25/2002	99.13%	4,956,250	3,448
31400L5H3	MBS-FNMA PASSTHRU CTF ARM	1,900,479	5.667	5.59	5/1/2037	8/23/2007	98.70%	1,904,695	8,878
31401DES6	MBS FNMA 15-YR CONVENTIONAL	2,961,974	4.000	4.21	5/1/2018	4/24/2003	99.56%	4,978,125	10,047
31401HTJ1	MBS FNMA 15-YR CONVENTIONAL	2,218,486	4.000	4.21	6/1/2018	5/19/2003	99.19%	4,959,375	7,525
31402KUQ5	MBS FNMA 3X1 TSY ARM SF	1,507,123	3.481	3.37	10/1/2033	9/30/2003	99.63%	3,985,000	4,252
31403N7D3	MBS-FNMA PASSTHRU CTF ARM	1,827,302	5.000	4.83	11/1/2018	4/20/2006	97.80%	2,545,012	7,507
31404AE91	MBS FNMA 1yr Libor ARM	1,490,959	3.073	3.12	11/1/2033	10/25/2004	99.13%	3,946,077	3,881
31404CMN7	MBS FNMA 1yr Libor ARM	3,100,267	3.618	3.51	6/1/2034	11/23/2004	99.50%	4,975,000	9,151
31405DVG9	MBS-FNMA PASSTHRU CTF ARM 786415	1,723,556	4.783	4.81	7/1/2034	10/24/2007	99.73%	2,031,014	6,909
31407FU24	MBS-FNMA PASSTHRU CTF ARM 829601	4,881,224	5.216	4.96	8/1/2035	10/24/2007	99.40%	4,832,768	20,427
31408EQ39	FNMA ARM Pool	4,362,570	5.665	5.49	1/1/2036	8/23/2006	99.62%	5,717,803	20,022
31408G7J0	FNMA Passthru CTF Arm Pool	2,678,682	5.348	5.30	2/1/2036	9/21/2006	99.63%	2,988,427	11,852
31409UTA3	FNMA Passthru CTF Arm Pool	8,560,479	5.198	5.11	3/1/2036	11/30/2006	99.75%	10,104,781	36,589
31410AEP7	FNMA Passthru CTF Arm Pool	10,374,100	5.434	5.32	6/1/2036	9/21/2006	99.94%	12,050,265	46,190
31411VQ44	FNMA Passthru CTF Arm Pool	5,010,025	5.463	5.44	5/1/2037	6/22/2007	99.55%	4,976,176	22,730
31413B3Q2	FNMA Passthru CTF Arm Pool	9,255,205	5.639	5.58	7/1/2037	8/15/2007	99.21%	9,641,866	43,151
36209EA69	MBS GNMA I 30-YR SF	150,172	6.750	6.20	2/15/2028	1/25/2000	94.64%	1,604,700	795
36211QY54	GNMA Passthru CTF Pool	1,518,646	5.000	4.84	4/15/2021	7/19/2006	96.04%	1,581,489	6,231
36201XQ50	GNMA Passthru CTF Pool	2,557,487	5.000	4.84	5/15/2021	7/19/2006	96.30%	3,400,220	10,494
36292LB37	GNMA Passthru CTF Pool	1,136,653	5.000	4.84	4/15/2021	7/19/2006	94.86%	1,470,344	4,664
36202KWW1	MBS GNMA II 1-YR TSY ARM	76,216	3.375	6.09	3/20/2021	5/31/1995	101.69%	2,440,500	395
36225CTZ9	MBS GNMA II 1-YR TSY ARM	537,581	2.750	5.68	1/20/2032	2/25/2002	99.84%	4,999,816	2,553
36202BCP8	MBS GNMA II 30-YR SF	25,083	8.500	7.38	3/20/2023	9/21/1993	105.94%	3,330,816	161
36202J6M5	GNMA II'S	35,823	4.125	5.13	11/20/2022	8/24/1995	101.00%	1,545,300	153

CUSIP Number	Type/Name of Security	Market Value	Coupon Rate	Yield to Maturity	Maturity Date	Purchase Date	PURCH %	Purchase Price	Accrued Interest	
36202KME2	MBS GNMA II 1-YR TSY ARM	48,893	3.750	5.55	7/20/2024	6/22/1995	101.75%	2,504,628	227	
36202KPD1	MBS GNMA II 1-YR TSY ARM	44,336	4.125	5.13	10/20/2024	6/22/1995	101.50%	2,052,360	190	
36202K7D1	MBS GNMA II 1-YR TSY ARM	154,048	3.375	6.14	6/20/2022	6/22/1995	101.59%	4,063,750	801	
36225CKE5	MBS GNMA II 1-YR TSY ARM	106,584	3.500	6.19	8/20/2031	8/23/2001	99.81%	3,560,837	554	
36225CNP7	MBS GNMA II 1-YR TSY ARM	115,134	4.125	6.18	10/20/2024	6/22/1995	101.50%	2,052,360	598	
36225CSM9	MBS GNMA II 1-YR TSY ARM	190,746	3.375	5.59	4/20/2030	5/24/2000	99.77%	3,990,625	890	
36225CSZ0	MBS GNMA II 1-YR TSY ARM	290,972	3.500	5.59	7/20/2031	8/23/2001	99.81%	1,431,979	1,357	
Total Mtg Back Securities		148,489,235								920,084
912810EP9	U.S. TREASURY BOND	3,975,240	7.125	4.17	2/15/2023	9/10/1993	114.63%	3,438,750	27,012	
912795E64	U.S. TREASURY BILL	98,407,500.00				5/29/2008	11/29/2007	98.41%	98,407,500.00	1,085,000
STATE BOARD OF ADMINISTRATION:										
	FUND A	57,721,671								
	FUND B	8,513,813								
		66,235,483								
CERTIFICATES OF DEPOSIT		21,617,445								
MONEY MARKET FUNDS		272,335,563								
REPURCHASE AGREEMENT		6,323,419								
TOTAL ALL INVESTMENTS		\$ 693,670,667								